

Message Text

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ACTION EB-08

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FM AMEMBASSY BRASILIA
TO SECSTATE WASHDC IMMEDIATE 8689
INFO AMCONSUL RIO DE JANEIRO
AMCONSUL SAO PAULO

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EO 11652: N/A
TAGS: ETRD, BR
SUBJ: BORNELLES VISIT - TEXTILE CVD CASE

REF: STATE 206345

1. THE BRAZILIAN TEXTILE INDUSTRY IS HEAVILY CONCENTRATED IN THE STATE OF SAO PAULO. OF THE 280 LEADING SPINNING AND WEAVING MILLS IN BRAZIL, 145 ARE IN THE STATE OF SAO PAULO, 28 IN THE STATE OF RIO DE JANEIRO 26 IN MINAS GERIAS, 15 IN PERNAMBUCO, 15 IN SANTA CATARINA, 14 IN CEARA, 7 IN SERGIPE, 7 IN PARAIBA, 6 IN BAHIA, 6 IN RIO GRANDE DO SUL, 3 EACH IN PARA, ALAGOAS AND RIO GRANDE DO NORTE, AND 2 IN AMAZONIAS. FOR PRODUCTION, CONSUMPTION, INVESTMENT AND FOREIGN TRADE DATA SEE SAO PAULO A-2 OF JANUARY 3, 1978.

2. BUSINESSMEN GENERALLY RECOGNIZED AS LEADERS OF THE TEXTILE INDUSTRY ARE SEVERO GOMES, FORMER MINISTER OF INDUSTRY AND COMMERCE AND MAJOR SHAREHOLDER OF TECELAGEM PARAHYBA, SAO PAULO, JACKS RABINOVICH, OF VICUNHA SA, SAO PAULO, IVAN ZARIFF, OF LANIFICIO SANTO AMARO, SAO PAULO, ADHEMAR ALVES BEGIANNO, OF COMPANHIA NACIONAL DE TECIDOS NOVA AMERICA, RIO DE JANEIRO,
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NORBERTO INDO ZADROZNY, OF ARTEX SA, SANTA CATARINA, AND KEITH BUSH, OF SAO PAULO ALPARGATAS.

3. DORNELLES, CHIEF COUNSEL OF FINANCE MINISTRY, AHS MADE CLEAR IN COMMENTS TO EMBASSY OFFICERS THAT MINISTER OF FINANCE SIMONSEN WANTS VERY MUCH TO AVOID A PUBLIC CONFRONTATION ON THE TEXTILES CASE, ESPECIALLY PRIOR TO THE NOVEMBER CONGRESSIONAL

ELECTIONS IN BRAZIL. ANNOUNCEMENT OF COUNTERVAILING DUTY ACTION WOULD UNDOUBTEDLY PROMPT BRAOD BRAZILIAN DISAPPROVAL. ON THE OTHER HAND, THE GOB FEELS CONSTRAINED NOT TO APPEAR TO MAKE ANY CONCESSION ON THE SUBSIDIES BECAUSE THE POLITICAL OPPOSITION WOULD BE QUICK TO CONDEMN THE GOVERNMENT FOR DESERTING BRAZILIAN EXPORTERS. THE DISAPPOINTING EXPORT PERFORMANCE IN 1978 FURTHER CIRCUMSCRIBES IN POLITICAL TERMS THE GOB AREA OF MANEUVER.

4. THE FURTHER IMPORTANT REASON FOR AVOIDING CONFRONTATION, ESPECIALLY BETWEEN NOW AND THE NOVEMBER ELECTIONS, WAS STATED BY MINISTER SIMONSEN IN HIS AUGUST 14 LETTER TO SECRETARY BLUMENTHAL. HE SAID THAT PARTICULARLY WITH RESPECT TO THE TEXTILE CASE, HE FEARED THAT IN THE EVENT OF A DECISION THAT WOULD HARM BRAZILIAN INDUSTRY, AN INTERNAL CLIMATE UNFAVORABLE TO CONCLUSION OF AGREEMENT ON A SUBSIDIES/COUNTERVAILING DUTY CODE MAY DEVELOP. WE BELIEVE THAT COUNTERVAILING DUTY ACTION ON TEXTILES JUST PRIOR TO THE ELECTION WOULD RESULT IN AN INTERNAL POLITICAL OUTCRY WELL BEYOND THE TEXTILE INDUSTRY WHICH WOULD 1) HINDER THE GOB'S ABILITY TO HELP US ARRIVE AT A MULTI-LATERAL CODE AS WELL AS A BILATERAL AGREEMENT THAT WOULD IMPLY COMMITMENTS TO REDUCE EXPORT SUBSIDIZATION IN THE NEAR TERM; AND 2) AT LEAST TEMPORARILY INTERRUPT THE RECENT IMPROVEMENT IN THE CLIMATE OF US-BRAZIL RELATIONS.

SAYRE

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